Decision **DRAFT DECISION OF ALJ WEISSMAN** **(Mailed 11/15/2005)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing post-2003 Low Income Assistance Programs.	Rulemaking 04-01-006 (Filed January 8, 2004)
Application of Pacific Gas and Electric Company (U 39 M) For Approval of the 2006 and 2006 California Alternative Rates for Energy and Low Income Energy Efficiency Programs and Budget.	Application 05-06-005 (Filed June 1, 2005)
Southern California Edison Company's (U 388-E) Application Regarding Low Income Assistance Programs for Program Years 2006 and 2007.	Application 05-06-009 (Filed June 1, 2005)
Application of Southern California Gas Company (U 904 G) for Approval of Low Income Assistance Programs and Budgets for Program Years 2006 and 2006.	Application 05-06-012 (Filed June 1, 2005)
Application of San Diego Gas & Electric Company (U 902 M) for Approval of Low Income Assistance Programs and Budgets for Program Years 2006 and 2006.	Application 05-06-013 (Filed June 1, 2005)

OPINION APPROVING 2006-2007 LOW INCOME PROGRAMS AND FUNDING FOR THE LARGER ENERGY UTILITIES

AND APPROVING NEW LOW INCOME ENERGY EFFICIENCY PROGRAM MEASURES FOR 2006

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I. Summary

In this decision, we approve low income program funding for 2006 and 2007 for the Pacific Gas and Electric Company (PG&E), the Southern California Edison Company (SCE), the San Diego Gas & Electric Company (SDG&E), and the Southern California Gas Company (SoCalGas). The programs include the California Alternative Rates for Energy (CARE) Program, and the Low Income Energy Efficiency Program. We adopt the funding levels as proposed, with the exception of SDG&E's request to shift $900,000 from natural gas Low Income Energy Efficiency activities to electric. Instead, we direct SDG&E to maintain its current emphasis on the installation of natural gas efficiency measures. In addition, we approve new measures (central air conditioner replacement as well as duct testing and sealing) to be included in the Low Income Energy Efficiency Program. We approve the following funding for 2006:

TABLE 1
2006 AUTHORIZED CARE BUDGETS

	PG&E	SCE	SoCalGas	SDG&E
Outreach	$4,837,000	$1,633,000	*$2,177,495*	*$1,319,473*
Automatic Enrollment	150,000	60,000	*10,000*	*13,136*
Cool Centers		95,000		
Proc., Certification & Verification	1,600,000	600,000	*990,223*	*258,168*
Bill System / Programming	150,000	557,000	*301,218*	*335,050*
Measurement & Evaluation	150,000	58,000	*5,000*	*3,000*
Regulatory Compliance	170,000	50,000	*189,289*	*154,553*
General Administration	300,000	1,063,000	*351,024*	*210,638*
Low Income Oversight Board				
CPUC Energy Division	100,000	82,000	*83,000*	*52,500*
Total CARE Expenses	$7,457,000	$4,199,000	*$4,107,249*	*$2,346,519*
Subsidies & Benefits	$324,612,000	$168,100,000	*$95,036,000*	*$34,499,414*

Total Program Costs and Discounts	**$332,069,000**	**$172,299,000**	***$99,143,249***	***$36,845,932***

TABLE 2 [1]
2006 AUTHORIZED LOW-INCOME ENERGY EFFICIENCY PROGRAM BUDGETS

	PG&E	SCE	SoCalGas	SDG&E
ENERGY EFFICIENCY				
Gas Appliances	$2,386,000	$0	*$5,578,600*	*$1,468,402*
Electric Appliances	19,593,000	20,971,520	0	*5,084.051*
Weatherization	15,283,000	394,450	*16,757,491*	*3,630,363*
Outreach / Assessment / Marketing	3,129,000	2,817,745	*4,830,000*	
In-Home Energy Education	3,129,000	518,400	*630,000*	*1,371,341*
Education Workshops	$0		420,000	132,000
Energy Efficiency Total	$43,520,000	$24,702,115	*$28,216,091*	*$11,686,157*
LANDLORD CO PAYS				
Air Conditioner Replacement – Central				
Air Conditioner Replacement – Room	$10,000			
Refrigerator (CoPay)	100,000			
Landlord Co Pays Total	$110,000	$0	$0	
PILOTS				
Cool Center 3				
Cool Zones				
LIHEAP Leveraging				
Pilots Total	$0	$0	$0	
OTHER PROGRAM ACTIVITIES				
Training Center	$400,000	20,000	*76,259*	
Inspections	$3,500,000	555, 000	*1,901,220*	161,832
Advertising		15,000	*156,000*	404,914
Measurement & Evaluation (M&E)	540,000	195,000	*113,030*	62,250
Regulatory Compliance	521,000	70,000	*267,298*	281,043
Other Administration	7,904,000	$1,772,885	*2,554,977*	*750,897*
Other Program Activities Total		$2,627,885	*$5,068,784*	*$1,660,936*
Oversight Costs – CPUC Energy Division	$35,000	$70,000	*$40,000*	21,000
TOTAL AUTHORIZED LIEE BUDGET	**$56,530,000**	**$27,400,000**	***$33,324,875***	**$13,368,093**

[1] Revised Table 2 also incorporates the reallocation of SDG&E's LIEE Program Budget as directed by the Ordering Paragraph 14 of the Draft Decision

This decision comes soon after our recent actions to offer greater protection to low income customers from the effects of high natural gas prices this winter. On October 27, 2005, the Commission issued Decision (D.) 05-10-044, which, among other things, expanded income eligibility for the CARE program from 175% of the Federal poverty guidelines to 200%. It also defined income eligibility for the Low Income Energy Efficiency Program in the same manner. Previously, customers with income between 175% and 200% of the Federal poverty guidelines could only participate if they were elderly or disabled. In that decision, we also permitted the use of creative efforts such as census-block targeted enrollment campaigns and approved proposals to expedite the delivery of certain energy efficiency measures to low income customers.

The utilities could not have anticipated the changes adopted in D.05-10-044 when they filed the applications underlying this decision. However, the utilities have asked the Commission to approve the proposed 2006-2007 funding levels set forth in their applications with the understanding that they may have to seek funding augmentations if program activity continues to accelerate. We approve the overall funding requests and order that these funding levels continue in effect until a subsequent decision of the Commission approving new funding levels.

While approving the proposed funding levels and programs, we recognize that the utilities we are in the midst of a season of change related to the low income programs. The Commission has expanded CARE eligibility and approved efforts to speed up the installation of the most cost-effective energy efficiency measures. In this Decision, we approve new measures to be included in the Low Income Energy Efficiency Program. We anticipate the release of the long-awaited Needs Assessment that will help the utilities identify the portions of the low income community that are underserved. The Governor recently signed Senate Bill (SB) 580 which, among other things, requires that the State take additional steps to pursue automatic enrollment for CARE. These events prompt another look at overall programs and funding, including reconsideration of the current approach to planning Low Income Energy Efficiency Programs.

The applications before us, here, reflect the current utility practice of planning Low Income Energy Efficiency Program activities around a budget, rather than budgeting to achieve specific energy efficiency or penetration goals. We want each utility to establish, and work to achieve, penetration goals (with the assistance of the Needs Assessment results and each utility's direct program experience). We also want to bring the utility low income program cycle into sync with that of the more general energy efficiency programs, which are in the midst of a three-year program cycle, scheduled to terminate at the end of 2008.

For all these reasons, we direct the utilities to file new applications by July 1, 2006 to propose program and funding changes for 2007 and 2008. In the meantime, however, in this Decision, we approve funding for the 2006-2007 program cycle, which shall be the basis for utility programs until the Commission adopts changes resulting from the July 2006 applications. Further, in order to avoid a sudden drop in program activity after the winter, we direct the utilities to file augmented 2006 budget applications no later than April 14, 2005, to enable the utilities to treat at least 5-10% more homes than they projected in the current applications. In response to these applications, we will consider the reasonableness of adopting the proposed augmentations.

II. Procedural Background

The utilities filed applications on June 1, 2005. In its limited protest filed July 7, 2005, the Office of Ratepayer Advocates (ORA) requested the opportunity to file second-round comments and replies during September 2005. The purpose was to provide ORA with an opportunity to complete its discovery of information related to the applications and offer any observations it might have about fund allocations and other matters. In a ruling issued July 14, 2005, the assigned administrative law judge (ALJ) consolidated the various utility applications in the same docket with the Commission's low income rulemaking proceeding, and established a deadline of September 9, 2005 for comments and September 23, 2005 for reply comments.

On May 2, 2005, the Low Income Energy Efficiency Standardization Team filed and served a document entitled Report on the Assessment of Proposed New Program Year 2006 Low Income Energy Efficiency Program Measures.[2] In a ruling dated September 1, 2005, the ALJ provided an opportunity for parties to comment on this report. Opening comments were due no later than September 16, 2005, with reply comments due one week later, on September 23, 2005.

Greenlining Institute filed comments on September 9, 2005. ORA presented late-filed comments on September 13, 2005. SCE, SDG&E, and SoCalGas each filed reply comments on September 23, 2005.

In the meantime, the Commission scheduled a Full Panel Hearing on October 6, 2005 to consider the impact of expected high winter natural gas prices on low income customers. In anticipation of this hearing, the ALJ directed the

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[2] The Standardization Team consists of representatives of each of the utilities that are the subject of this order. Its purpose was described in an Assigned Commissioner's Ruling in R.98-07-037, dated December 29, 1999, and ratified by the full Commission in D.00-07-020.

utilities and invited others to file proposals for presentation on October 6, 2005. Many did so, on September 28, 2005, or soon thereafter. What followed were several rounds of proposals and comments, resulting in D.05-10-044, adopted by the Commission on October 27, 2005. That decision ordered the following changes to the CARE and Low Income Energy Efficiency Programs that could not have been anticipated by the utilities when they filed the applications that are the subject of this decision:

1. CARE rates are now available to all customers with incomes between 175% and 200% of the Federal poverty guideline levels. When the applications were filed, eligibility ended at 175% of the poverty guidelines.

2. The same expanded income eligibility criteria now apply to both CARE and Low Income Energy Efficiency Program participants. Currently, Low Income Energy Efficiency Program participants are limited to those with 175% of the poverty guidelines, with the exception of elderly and disabled, who must be within 200% of the poverty guidelines.

3. CARE customers may now enroll and recertify by telephone.

4. No CARE customers can be dropped from the program during the coming winter months for failure to recertify their income eligibility.

5. The Commission simplified Low Income Energy Efficiency Program enrollment in several ways, to help speed up the provision of services this winter.

6. The Commission authorized the utilities to accelerate the replacement of gas forced-air furnaces, leaky or broken gas water heaters, and inefficient refrigerators and light bulbs for low income customers this winter.

7. The Commission directed the utilities to take various steps to increase and improve outreach efforts related to high winter bills, CARE, Medical Baseline, and the Low Income Energy Efficiency Program.

III. Discussion

The applications presented by the utilities are largely "stay-the-course" proposals. With one exception from SDG&E, the utilities seek to continue the funding levels recently authorized by the Commission in D.05-04-052. This is not surprising, since the Commission directed the utilities to file the current applications less than two months after that decision. The following table summarizes the utility proposals.

TABLE 3

UTILITY	CARE '05 Approved	Low Income Energy Efficiency '05 Approved	TOTAL 2005 Approved		CARE '06 Approved	Low Income Energy Efficiency '06 Approved	TOTAL 2006
PG&E	7,457,000	56,530,000	**63,987,000**		7,457,000	56,530,000	**63,987,000**
SCE	4,199,000	27,400,000	**31,599,000**		4,199,000	27,400,000	**31,599,000**
SoCalGas	4,108,310	33,325,000	**37,433,310**		4,107,248	33,325,000	**37,432,248**
SDG&E	2,373,482	12,277,000	**14,650,482**		2,346,519	13,368,000	**15,714,519**
Total Funding	**18,137,792**	**129,532,000**	**147,669,792**		**18,109,767**	**130,623,000**	**148,732,767**

However, circumstances have changed, since the utilities filed these applications in June, because of the pressing need to reduce the impact of the expected high winter natural gas prices on the poorest utility customers. In response to this urgent situation, the utilities enthusiastically offered to modify both the CARE and the Low Income Energy Efficiency Programs in order to spread benefits to more customers in less time. The Commission approved many of those modifications in D.05-10-044. In this context, it no longer makes sense to scrutinize each program element as the utilities had originally proposed it. The utilities' proposed funding levels are reasonable because they are consistent with the funding approved in D.05-04-052.

A. The Greenlining and ORA Comments

Both ORA and Greenlining Institute filed comments in response to the applications. Greenlining did not raise any objections or concerns with the applications. Instead, it used the opportunity to endorse SDG&E's refrigerator replacement efforts and its proposed telephone recertification pilot program. ORA also endorses the recertification pilot. We note that the Commission endorsed both of these efforts in D.05-10-044. In its comments filed on September 13, 2005, ORA raised two concerns:

1. The Cool Center Program

In previous summers, the electric utilities have provided Cool Centers in the hottest parts of the state to provide relief to customers from severely hot weather conditions. In its Rapid Deployment Report for July 2005 submitted on August 22, 2005 (Page 5, Cool Centers), SCE notes that after contacting existing Cool Center operators and discussing program changes with them, all program operators declined participation due to the new limitations on eligible expense categories for reimbursement and concern over income qualifying Cool Center attendees. SCE confirmed that it would not operate the Cool Center Program in 2005. ORA questions why, after many years of seeking authority to operate the Cool Center program, SCE would now choose to discontinue the program.

ORA notes that SDG&E does not mention any plans to discontinue its Cool Center program. In fact, SDG&E reports that its Cool Center efforts are alive and well. ORA does not assert that SCE must continue to operate the program, primarily because the Cool Center program is a discretionary activity proposed by SCE (and SDG&E). Instead, it asks SCE to provide a more complete explanation of its intention to discontinue the Cool Center program, especially given the historical efforts by the utility to seek and receive funding and the Commission's desire to assess how Cool Centers fit into the overall low income program.

SCE responds that when it contacted its existing Cool Center operators to discuss 2005 Cool Center operations, all program operators declined to participate in 2005, because they could not operate under the constraints of D.05-04-052. The relevant paragraphs from that order are as follows:

> "8. Cool Center budgets shall not include costs for rent; utilities; insurance; janitorial services; other overhead costs; transportation (bus passes, vehicle rental, fuel costs); staffing at Cool Centers; or snacks and beverages.
>
> "9. In future low income applications, any IOU seeking Cool Center funding shall address how to ensure that public goods charge funds are devoted only to LIEE and CARE eligible customers. Within 60 days of the effective date of this decision, SCE and any other IOU offering Cool Center programs shall file and serve a proposal for evaluation of the effectiveness of the programs. The IOUs shall work with the Energy Division in defining the evaluation criteria for the Centers."

As indicated in SCE's July and August 2005 Rapid Deployment Reports, SCE states that none of the existing Cool Center operators believed it could participate in 2005 due to the new limitations on eligible expense categories for reimbursement and the need to qualify Cool Center attendees based on income. Thus, SCE was not able to operate the Cool Center program in 2005.

SCE reports that in 2005, the Community Action Partnership of Riverside County, Inc., the American Red Cross and the Riverside County Department of Public Health established ten Cool Center sites within Riverside County located in Beaumont, Blythe, Cathedral City, Coachella, Corona, Desert Hot Springs, Hemet, Jurupa, Palm Springs, and Perris. The San Bernardino County Department of Public Health also established nine Cool Center sites within San

Bernardino County located in Claremont, Highland, Joshua Tree, Loma Linda, Lucerne Valley, Rancho Mirage, Redlands, Rialto, and Yucca Valley. We applaud all of these efforts. Unfortunately, these centers are only activated on days where the temperatures are expected to reach 105 degrees for at least three consecutive days. A lower temperature or a shorter duration will affect the availability of these centers.

Further, no centers were established in SCE's High Desert Region, i.e., Hesperia, Victorville, Adelanto, Barstow, Baker, etc. Therefore, there are no centers available for the seniors, disabled, and low income customers located within this region.

In addition, SCE points out that the established centers in 2005 did not provide transportation to the Cool Center site locations; or provide such things as supplemental funding for incremental utility costs, rent, or dedicated cool center site staff. As became clear in the events surrounding Hurricane Katrina, many within the low income population do not have vehicles or other transportation that would enable them to leave their homes and take advantage of available services.

SCE states that it is reviewing the steps it will take to address Cool Centers in subsequent years. SCE believes that Cool Centers as operated by SCE from 2001 through 2004 addressed important safety concerns for low income customers in remote and extremely hot climates and continues to believe the Commission's policies as adopted in D.05-04-052 must be modified in order to permit operation of a viable Cool Center program.

We agree with SCE and ORA that the Cool Centers help protect the health and safety of elderly, disabled, and low income customers. We also feel that the Cool Centers can serve an important energy efficiency function by encouraging some customers to come to one central, cool location rather than running individual air conditioners on the hottest days. In addition, these centers offer an opportunity to educate customers about their options for reducing energy consumption, including participation in the Low Income Energy Efficiency Program.

The Commission's goal in D.05-04-052 was to reduce the cost of running these Cool Centers, not to shut them down. We are encouraged by SCE's continuing support for this effort and by its stated intention to find a way to offer the program in future years. We ask SCE and ORA to work with the Low Income Oversight Board, community and consumer groups, major corporations, government centers and others to develop a low cost plan for reviving the Cool Centers for service in the summer of 2006 and to submit it to this Commission for approval, if necessary. SDG&E should contribute to this effort, as appropriate. If doing so will require a modification of the directives set forth in D.05-04-052, the participants need to let us know. We only ask that any such proposal be closely tailored to contain costs while providing meaningful services.

2. Energy Efficiency Benefits From the Low Income Energy Efficiency Program and the Benefits of Energy Education Workshops

ORA expresses concern for the manner in which energy savings are incorporated as program goals in the Low Income Energy Efficiency Programs of both SoCalGas and SDG&E. SoCalGas/SDG&E witness Gregg Lawless (Testimony, at GEL-5) discusses the two utilities' intention to count 2006-2007 Low Income Energy Efficiency Program energy savings as part of its broader assessment of energy efficiency gains as directed by the Commission in D.04-09-060. ORA interprets this testimony as meaning that SoCalGas and SDG&E intend to design their Low Income Energy Efficiency Programs to maximize energy savings in keeping with the energy savings goals articulated in D.04-09-060.

ORA argues that this constitutes the introduction of a new, if not conflicting, purpose for the Low Income Energy Efficiency Program. ORA says that while other energy efficiency activities are designed to serve the utility as an energy resource for purposes of meeting the energy loads of its customers, Low Income Energy Efficiency activities are not. According the ORA, these low income programs are not intended to provide an energy resource for all ratepayers; rather they are narrowly targeted to fulfill a wide range of needs for low income customers, such as comfort, safety, and bill reduction.

ORA acknowledges that the Low Income Energy Efficiency Program produces real savings, but argues that this is not the primary goal of the program. ORA argues that in requiring an accounting of Low Income Energy Efficiency Program energy savings in D.04-09-060, the Commission did not intend to modify the program's existing goals and purpose.

The utilities respond by arguing that Low Income Energy Efficiency Program goals and energy efficiency goals are compatible and the utilities are not seeking to change from the existing program design or purpose. Both companies state that they will continue to offer all feasible measures and comprehensive services to its Low Income Energy Efficiency Program participants. The utilities offer their interpretation of the program's purpose: to provide all feasible measures and comprehensive services that give low income customers the benefit of reducing their energy bills as well as increasing their comfort and safety.

We thank ORA for raising this issue, and SoCalGas/SDG&E for explaining what they see as being the purpose of the program. For the most part, we agree with the utilities. In implementing the Low Income Energy Efficiency Program, the Commission's goal has always been to make the benefits of the utilities' energy efficiency efforts available to the lowest-income customers. The Commission and the utilities have appropriately taken comfort and safety into account while pursuing this goal.

Because of the special conditions attached to serving the low income community with efficiency improvements, the low income programs have taken on an independent existence – often with separate groups of people providing the services, and separate planning processes. As the utilities accelerate their over-all energy efficiency efforts, it is critically important that we remember that those programs benefit all customers, and (on an overall basis) should serve all customers as well. We look for ways to bring the planning processes for these two programs closer together and to ensure greater overall energy efficiency program access for low income customers. This is one of the reasons that we are bringing the funding cycles of the low income and more general energy efficiency efforts into sync.

Finally, ORA questions whether Energy Education Workshops proposed by SoCalGas and SDG&E are properly part of a Low Income Energy Efficiency Program, as the impacts of these workshops and a standardized method of assessing cost-effectiveness as a LIEE program are not evident from the application[3]. Moreover, ORA argues that it is not apparent how these workshops would conform to the overall principle of standardizing Low Income Energy

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[3] Testimony at GEL-4 to GEL-7 discusses these workshops and that D.05-04-052 directs SoCalGas and other utilities offering similar workshops to assess this activity in conjunction with the Joint Utilities LIEE Standardization Project Team.

Efficiency measures across all the utilities, as only SoCalGas and SDG&E propose them.

In response, the utilities cite D.05-04-052 (mimeo. at 34), where the Commission found no compelling basis to discontinue SoCalGas' energy education workshops and ordered the Standardization Team to assess the workshops as part of its next measure assessment process. The Commission has yet to review this assessment. The utilities argue that in the interim, it is imperative that they be allowed to continue offering energy education workshops to inform customers about energy use practices and to assist them in reducing their energy costs by changing their energy-use habits. The utilities express the hope that as the oncoming winter months approach, the energy conservation steps offered to low income customers at the energy education workshops will help mitigate the rising costs in natural gas prices expected during the winter of 2005 and early 2006 and further exacerbated by recent natural disasters such as Hurricanes Katrina, Rita, and Wilma.

While ORA questions the efficacy of energy education workshops, others have sought an expansion of the practice. In D.05-10-044, responding to a request for more such workshops, we directed SoCalGas to convene a meeting, within two weeks following the issuance of this order, with representatives of interested parties, as well as PG&E and SCE, to discuss a common educational strategy and to inform the Assigned Commissioner and all other parties to this proceeding of their plans, by letter. That process is still underway. We look forward to the results of that effort to inform us as we consider the future role of energy education workshops. As the Disability Rights Association points out, any such public workshops must be fully accessible.

B. Specific Utility Requests for Direction from the Commission

1. SoCalGas

a) Authorization to Use the Impact Evaluation of the 2001 Statewide Low Income Energy Efficiency Program to Calculate and Report Program Benefits

In accordance with D.01-06-082, the utilities filed a Notice of Availability of the Impact Evaluation of the 2001 Statewide Low Income Energy Efficiency Program.[4] The 2001 Low Income Energy Efficiency Program load impact report reflects updated estimates of program measures and load reduction impacts, and is an effort to improve upon the 2000 load impact study in that it provides more detailed estimates of load impacts for individual measures as compared to the 2000 load impact study that estimated load impacts at the overall program level.[5]

In its May 3, 2004 filing, SoCalGas requested that the Commission approve the use of the impacts from the 2001 Low Income Energy Efficiency load impact evaluation for determining the PY 2004 energy savings. In its Prehearing Conference Statement, filed May 18, 2004, SoCalGas noted that the Commission had not yet approved the 2001 Statewide Low income Energy Efficiency Program Impact Evaluation needed to compute program benefits. The Scoping Memo ruled that this issue would be handled in the Annual Earnings Assessment

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[4] On April 18, 2003, Southern California Edison Company filed the Notice of Availability with the Commission on behalf of itself, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas and Electric Company.

[5] "Impact Evaluation of the 2000 Statewide Low Income Energy Efficiency (LIEE) Program," Study ID Number 576, Xenergy, Inc, April 2, 2002 (Study). This Study was submitted by SCE on behalf of all the utilities to the Commission on April 24, 2002.

Proceeding. Currently, there is no timetable for the resumption of that proceeding to be able to address the merits of the use of the study.

In the current applications, SDG&E and SoCalGas used the 2001 load impact study measure evaluation data in computing the projected benefits of their 2005, 2006 and 2007 programs. The utilities have renewed their request that the Commission approve the use of the load impacts from the 2001 Low Income Energy Efficiency evaluation for determining the gas and electric energy savings.

For program planning purposes at this juncture, we permit the utilities to rely on the 2001 load impact report as the most recent analysis available. However, for other purposes, such as counting energy savings towards the Commission-established energy savings goals for 2006 and beyond, the Commission recognized in D.05-04-051 that we will need to more closely coordinate the load impact studies performed for Low Income Energy Efficiency with those studies and associated protocols being developed in our generic energy efficiency rulemaking, R.01-08-028. In that decision, the Commission noted that the utilities will be conducting Low Income Energy Efficiency load impact studies for programs implemented during program year 2005, and deferred consideration of LIEE-related evaluation, measurement and verification (EM&V) issues until the 2006 Annual Earnings Assessment Proceeding. (See D.05-04-051, pp. 72-73.)

Therefore, we will not formally adopt or approve the results of the 2001 load impact report as the utilities request in this proceeding. Instead, we permit the utilities to rely on the study results on a case-by-case basis, as we do today, until we can address and resolve Low Income Energy Efficiency-related issues in the 2006 Annual Earnings Assessment Proceeding.

b) Approval of Forecasted CARE Administrative Costs

Because of the changes to the CARE and Low Income Energy Efficiency Programs described earlier in this opinion, it is not clear that the administrative costs as originally estimated by the utilities will accurately reflect experience in 2006. Nonetheless, we will approve the administrative costs as proposed by each of the utilities, because they are consistent with the funding levels approved for 2005.

c) Authorization to Update the Gas Surcharge Rate by Advice Letter

SoCalGas and SDG&E state their intention to update their gas surcharge rate in its annual advice letter filing made in the fourth quarter each year to reflect the cost of gas-related low income programs. This is consistent with current practices.

d) Authorization to Shift CARE Funds Among Administrative Categories

The administrative costs included in the utilities' CARE program budgets are incremental and not in base rates. Cost categories are defined in the Regulatory Reporting Manual Working Group Report.[6] These costs include labor, non-labor and contract expenses for outreach, regulatory compliance, processing of applications, recertification, verification, billing system/programming, measurement and evaluation, and other general administrative expenses.[7] SoCalGas and SDG&E seek the authority to shift

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[6] See generally D.01-12-020 which adopted the Phase 2 Regulatory Reporting Manual. The report requirements were last revised on January 10, 2002.

[7] See Ordering Paragraphs 5 and 11 of D.01-12-020.

funds among administrative categories in order to conduct the best service and provide the best outreach.

In the current context, with the utilities utilizing census blocks, telephone registration, and other techniques pursuant to D.05-10-044 to accelerate and retain CARE enrollment, and with SB 580 implementation coming soon, it is appropriate, if not essential to give all of the utilities this type of CARE administrative spending flexibility. We will grant the requested fund shifting capability for all of the applicant utilities. In their July 2006 applications, we direct the utilities to identify and explain any administrative funding shifts that they have made up to that point. Similarly, we will allow the utilities to shift Low Income Energy Efficiency funds among the various categories.

e) Authorization to Carry Over Unspent Low Income Energy Efficiency Funds from Year-to-Year

For many years, the Commission has authorized the utilities to carry over unspent Low Income Energy Efficiency Program funds for use in subsequent years. The goal is to encourage the utilities to spend the accumulated funds, including interest, in the following year to increase program implementation. In the pleadings that preceded D.05-10-044, each of the utilities reported an intention to utilize all carryover funds by the end of 2005 to more aggressively implement its program. To the extent there are remaining carryover funds, the utilities shall use them to increase program activity in 2006. We are expecting that this will result in no funds remaining at the end of 2006. However, if there are remaining funds, the utilities shall continue the existing practice of carrying them forward to the next program year.

2. SDG&E

a) Restoration to Low Income Energy Efficiency Program Funding in 2006 of $1.091 Million Disallowed for 2005 in D.05-04-052

In D.05-04-052, as corrected in D.05-05-019, the Commission set SDG&E's PY 2005 Low Income Energy Efficiency budget at $12.277 million, a reduction of $1.091 million compared to SDG&E's authorized budget of $13.368 million for the prior year. In the present application, SDG&E asks the Commission to authorize Low Income Energy Efficiency funding for 2006 equal to the 2004 authorized level of $13.368 million. SDG&E states that it would use the proposed increase primarily to fund increased refrigerator replacement activity.

No rate increase would be necessary to accommodate this request because, in effect, it would allow SDG&E to forego decreasing its current Low Income Energy Efficiency rate revenue requirement. No party opposes the request.

Allowing these additional funds for refrigerator replacement is consistent with the goals and program changes adopted in D.05-10-044, and we will approve this request.

b) Request for a 43%/57% Allocation of Low Income Energy Efficiency Program Funds Between Gas and Electric Programs

SDG&E seeks authority to allocate the $13.368 million total electric and gas budget 43% to gas programs and 57% to electric programs, resulting in a $0.9 million increase in the electric budget and a corresponding decrease in the gas budget. In its application as filed last June, SDG&E stated its plan to offset the increased electric expenditures by utilizing overcollected funds in the electric Low Income Energy Efficiency balancing account. In what it then saw as the unlikely event that more funds would be needed to offset the authorized electric expenditures, SDG&E said it would request authority to transfer over-collected gas Low Income Energy Efficiency balancing account funds to the corresponding electric LIEE balancing account. In D.01-05-033, dated May 3, 2001, the Commission authorized the shifting of funds between electric and gas regulatory accounts through an advice letter filing.[8] SDG&E further stated that it would decrease its Gas Public Purpose Program Surcharge rates to reflect the reduction in the gas budget in an advice letter filing made subsequent to a Commission decision for this Application.

SDG&E offered this proposal before it was apparent that natural gas prices could be exceptionally high this winter and before the Commission issued D.05-10-044 authorizing an accelerated effort to provide Low Income Energy Efficiency services this winter. The activities approved in that decision include efforts to speed up weatherization and appliance replacement through such strategies as census block campaigns, and to replace both inefficient central gas furnaces and leaky water heaters. SDG&E did not explain why it sought to sacrifice natural gas funding to shift more dollars to the electric side of the program. Regardless, now is not an appropriate time to reduce natural gas Low Income Energy Efficiency funding. We will not approve this part of SDG&E's proposal, and, in the draft decision, directed the company to reapportion the funds, accordingly. In response, SDG&E submitted revised funding estimates that are included in this decision.

[8] The Commission recently authorized such a shift pursuant to Advice Letter 1444-E/1345-G, dated October 23, 2002.

3. PG&E

a) Leave to Supplement Its Application If New Low Income Energy Efficiency Measures Are Approved for 2006

In discussion below, we approve the addition of new Low Income Energy Efficiency measures for 2006, as proposed by the Standardization Team. PG&E asked for leave to file an amended application if and when the Commission approves the new measures. As discussed below, we will require each of the utilities to seek a budget augmentation for 2006.

The Low Income Oversight Board met in San Diego on December 2, 2005 to review the draft decision in this matter. The Board expressed concern that the Low-Income Energy Efficiency rapid deployment activities for the winter of 2005-2006, ordered in D.05-10-044, were approved without a specific budget augmentation for 2006. Although the draft decision directed the utilities to file for an amended budget for 2006, if needed as a result of the rapid deployment process or the approval of new measures, the Board observed that the utilities would be left to decide how to manage the level of program activities throughout the year and could conceivably elect to slow down Low-Income Energy Efficiency program activities dramatically after the winter effort ends. Many expressed the concern that this could actually hurt overall progress by causing large fluctuations in staffing and activity. This is not our intent.

Our goal in ordering the winter initiative was to accelerate Low-Income Energy Efficiency program activity in a manner that would lead to a higher level of implementation. In order to ensure that the utilities do not severely reduce program activity at the end of the winter, we will direct them to file budget augmentations, no later than April 14, 2005, identifying an accelerated level of deployment and requesting any additional funds needed to accomplish that goal.

We arbitrarily direct the utilities to plan for activities and funding designed to treat at least 5-10 percent more homes in 2006 than they had indicated their intention to serve when filing their 2006-2007 funding applications. We emphasize that the filing deadline is intended to ensure timely requests allowing for implementation in the third quarter of 2006. However, if any utility identifies a potential for exhausting its 2006 funds at an earlier time, it shall file a budget augmentation application at least 90 days in advance of the anticipated need.

b) Approval of the March 12, 2004 Standardization Team Proposal Concerning Infiltration Measures

On March 12, 2004, the Standardization Team filed a report responding to direction provided by the Commission D.03-11-020 to consider the appropriate treatment of low income homes that use utility-provided space heating fuels, specifically electricity or natural gas (and are therefore eligible for installation of infiltration-reduction weatherization measures through the Low Income Energy Efficiency Program), but which also use combustion fuels not provided by the utility (such as propane or kerosene) for other purposes. In general, the Standardization Team repeats an earlier recommendation that homes that rely on utility-served space heating but use non-utility combustion fuels for other end uses not be provided infiltration reduction measures through the Low Income Energy Efficiency Program. Further, the Team recommends that the owners of these homes be encouraged to seek the installation of infiltration-reduction measures by agencies administering non-utility programs, such as the Federally-funded Low Income Home Energy Assistance Program.

The Commission had directed the Standardization Team to confer with the Low Income Oversight Board on this issue. According to the report, Standardization Team members and consultants met twice with the Board in early 2004. The Report goes on to mention some of the questions raised at the Board meetings (without attribution as to whether the questions were offered by Board members, or others), but does not contain a recommendation from the Board concerning the adoption of the Standardization Team proposal.

We want to know what the Board thinks about this proposal. Since the Standardization Team largely recommends maintaining the status quo, there is an opportunity to seek Board input prior to acting on the proposal. We ask the Board to address this issue at a meeting in the near future and report back to us. In the meantime, we will not act on the proposal.

In comments on the draft decision, PG&E asked that the Commission allow the changes in this report to become effective on an interim basis pending a final decision. PG&E asks for this treatment so that its rules would become consistent with those of the other utilities. We will not rely on this rationale to make the rules effective on an interim basis. PG&E's argument raises a question as to why its rules are different from the other utilities in the first place. Without a clear answer to this question, it is inappropriate to act on PG&E's request.

C. New Low Income Energy Efficiency Measures for 2006

In D.03-11-020, the Commission concluded that new measures would be considered for the 2006 Low Income Energy Efficiency Program. In a ruling issued October 1, 2004, then-Assigned Commissioner Carl Wood directed the Standardization Team to develop and submit a Phase 5 work plan, project schedule and budget. The Team submitted this work plan on October 15, 2004. In ruling dated October 22, 2004, Commissioner Wood adopted the Phase 5 work plan and directed the Standardization Team to institute the process for considering new energy efficiency measures for inclusion in the 2006 program.

On December 17, 2004, the Team released a solicitation requesting proposals for energy efficiency measures that could be considered for inclusion in the 2006 program. The deadline to submit proposals for new measures was by close of business, January 31, 2005. In accordance with Section 2.3 of the solicitation, the Standardization Team provided notice of the list of the proposed measures that were submitted by respondents and being evaluated by the Team.

In response to the solicitation, four proposals were submitted. Some proposals suggested more than one measure, and some proposals overlapped. The measures covered by these proposals were as follows:

- **High Efficiency Central Air Conditioners.** This measure involved the replacement of existing central air conditioners with high efficiency (SEER 13[9]) units.

- **Central Air Conditioner and Heat Pump Maintenance.** As proposed, maintenance entailed checking and correcting the refrigerant charge and airflow in central air conditioners and central heat pumps.

- **Duct Testing and Sealing.** This measure entailed testing duct leakage and, for systems with excess leakage, sealing both supply and return ducts in a way that would yield a reduction in leakage equal to 15% of system air flow.

[9] The efficiency of central air conditioning units is governed by Federal law and regulated by the United States Department of Energy. Every air conditioning unit is assigned an efficiency rating known as its "seasonal energy efficiency ratio" (SEER). The SEER is defined as the total cooling output (in British thermal units or Btu) provided by the unit during its normal annual usage period divided by its total energy input (in watt-hours) during the same period.

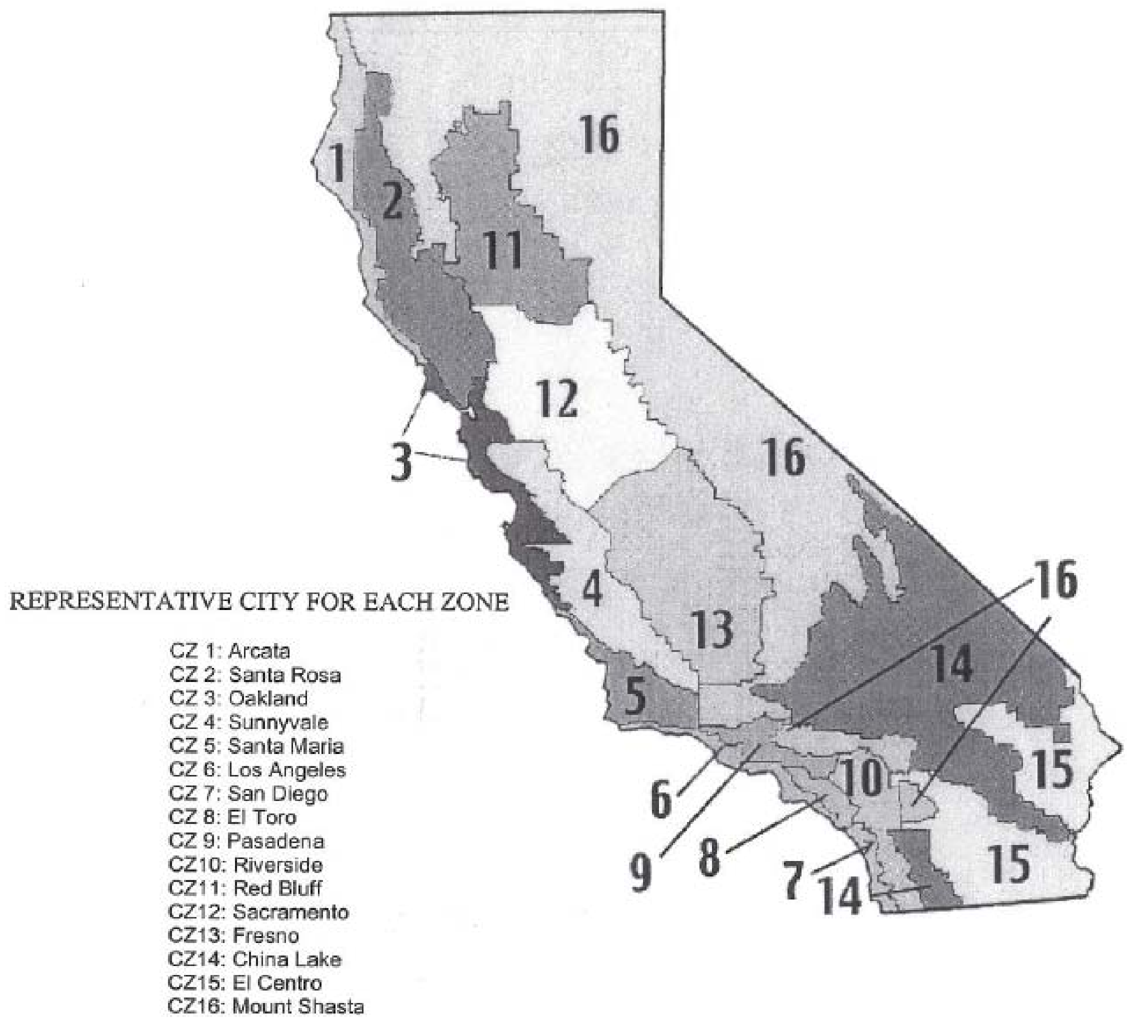
- **Compact Fluorescent Lamps.** While the utilities already offer compact fluorescent lamps through the Low Income Energy Efficiency Program, this proposal was to establish a master purchase plan for obtaining the lamps offered through the Program.

On February 4, 2005, the Standardization Team mailed to all parties in R.04-01-006 and posted on the Low Income Oversight Board website a notice announcing the list of proposed measures. In accordance with the terms of the solicitation, the Team assessed the proposed measures using a two-step process. The first step entailed prescreening and the second involved a formal cost-effectiveness analysis. The Team completed its evaluation of the proposed measures using cost effectiveness criteria previously approved by the Commission. The Team presented the following findings and recommendations at two public workshops—one on April 8, 2005, in San Francisco and another on April 15, 2005, in San Diego, and then submitted them in a report issued May 2, 2005 and filed with the Commission.

1. Central Air Conditioning

The results for central air conditioning show that this measure is cost-effective (that is, passes both the participant and utility tests) only in Climate Zone 14 in the PG&E and SDG&E area for single family and mobile home residences and in Climate Zone 15 in the SDG&E area for all housing types. It also passes the Participant Test and barely falls short of passing the Utility Test for multifamily residences in Climate Zone 14 in the SDG&E area. The measure also passes the Modified Participant Test in Climate Zone 15 for all housing types in the SCE area, although it does not pass the Utility Test. The following map defines the climate zones as developed by the California Energy Commission (CEC):

CEC CLIMATE ZONES



The Standardization Team's recommendation is to offer the replacement of existing central air conditioners with high efficiency units for all three residence types in Climate Zones 14 and 15. It is reasonable to adopt this measure as proposed since doing so will consistently provide benefits for the program participants and contribute to a reduction in electric demand.

2. Duct Testing and Sealing

This measure was evaluated separately for homes that have central electric space heating and for homes that have central gas space heating. For homes with central electric space heating, the measure was found to be cost-effective in the following situations:

- PG&E Zone 2 mobile homes;
- PG&E Zone 3 single family;
- PG&E Zones 11 through 13 and Zone 16, single family and mobile homes;
- SCE Zone 15 single family and mobile homes;
- SDG&E Zone 10 and 14 single family and mobile homes; and
- SDG&E Zone 15 all housing types.

For homes with central gas space heat, this measure was found to be cost-effective in most cases for single family and mobile homes. For homes with electric space heat, the measure was found to be cost-effective in Climate Zones 10-16. It was not found to be cost-effective for multifamily homes in any area except SDG&E Climate Zone 15.

The Standardization Team recommends offering duct testing and sealing for single family homes and mobile homes with gas space heating in all climate zones. Further, the team recommends offering the measure for homes with electric space heating in Climate Zones 10-16, but not offering this measure for multi-family homes.

It is reasonable to adopt this measure in all areas where it is demonstrably cost-effective and by that logic, the Standardization Team has recommended its adoption in all cost-effective areas with one exception. That exception relates to electric-heated and gas-heated multi-family homes in SDG&E's Climate Zone 15. The Team does not explain why it is proposing this exception. Indeed, this measure appears to be more cost-effective for multi-family dwellings in SDG&E's Zone 15 than it is for single family gas homes in many other areas of the state. Since all single-family gas-heated homes would qualify, it is not evident why multi-family dwellings in SDG&E's Zone 15 should not qualify, as well. We will direct SDG&E to prepare to serve that portion of its service territory with this measure. In all other respects, the proposal of the Standardization Team should be adopted.

We further note, however, that pursuant to D.05-10-044, the gas utilities are increasing their replacement of inefficient gas-fired furnaces. As we stated in that decision, it makes no sense to improve the efficiency of a furnace while the ducts are left in poor repair. We expect that in conjunction with the installation of new furnaces, the utilities will consistently inspect and seal the ducts, regardless of nature or location of the dwelling involved.

3. Air Conditioning Diagnostics

The Standardization Team found air conditioning diagnostics to be largely cost-effective. This service would entail checking and tuning the refrigerant charge and air flow on central air conditioners and heat pumps.

Exceptions include Climate Zones 1, 2, 3, and 5, and, for SCE only, Climate Zone 6 and 16. To some extent, the failure of this measure in Climate Zones 6 and 16 for SCE is due to the high program benefit-cost ratio for this utility. Based on the overall results, the Standardization Team proposes to offer this measure in all residence types and in all climate zones other than the most moderate (Climate Zones 1, 2, 3 and 5). This is a reasonable breaking point. In calculating the cost-benefit ratio, the Team assumed that costs for this service would consistently be at the top of the range. With this in mind, it would be reasonable to all for the utilities to provide this measure in Zones 6 through 16, even though there are scattered instances across those zones and among the utilities when the study produces slightly less than cost-effective results. On balance, this appears to be a very cost-effective measure.

However, on September 7, 2005, the Standardization Team submitted an amended report stating that it had recently discovered important information about this proposal. In assessing the cost-effectiveness of this measure, the Team assumed the use of a particular means of testing the state of the air conditioner's refrigerant charge. Ensuring an adequate charge is the main source of energy savings from this measure. The Team has learned that in order to perform this test, the outdoor temperature must be above a certain threshold (estimated to be between 55- 65 degrees Fahrenheit by various parties). The California Energy Commission and others in the energy industry have proposed the use of an alternate procedure called the "weigh in" method. This alternate procedure can be used when the outside temperature drops below 55 degrees Fahrenheit; however, the Team did not consider the cost for this procedure in preparing its original proposal or the cost-effectiveness analysis.

Insofar as temperatures fall below the critical threshold in some seasons in at least some climate zones, this means that it may be impractical and/or uneconomical to offer the measure to all homes for which it is otherwise feasible.

The Standardization Team recognizes the potential need to develop some means of recognizing this limitation without sacrificing equity across participating homes. This may mean offering the measure during only some seasons of the year, and/or setting up a system for returning to homes during periods when temperatures are high enough to facilitate testing.

In light of this situation, the Standardization Team requests additional time to consider this measure.

The Standardization Team recommends that the utilities conduct an Air Conditioning Maintenance Pilot and Assessment. Ordering Paragraph 15 of Commission Decision 05-04-052, issued April 21, 2005, states that "The … Standardization Team shall evaluate the [Low Income Oversight Board's] proposal for a pilot air conditioning maintenance measure as part of the next phase of its work, unless it is already evaluating the same proposal submitted by another party." The Standardization Team proposes to file, within sixty days of this order, a 2006 implementation plan for an air conditioning maintenance pilot proposal. In the implementation plan, the Standardization Team would identify the following: (1) conditions for refrigerant charge; (2) costs associated with Standard Charge Measurement procedure and the Weigh-in procedure; and (3) barriers associated with implementing the measure. After the pilot has been completed, the Standardization Team would evaluate the results of the pilot and make a recommendation to the Commission on this measure.

We do not intend to assign any new tasks to the Standardization Team now. However, in light of this new information, it is reasonable to allow the utilities to develop pilot proposals and to submit them to the Commission as part of the July 2006 applications. Prior to filing the proposals, however, the utilities should present them to the Low Income Oversight Board for the board's review and comment and make changes, as appropriate.

4. Compact Fluorescent Lamp Master Purchase Plan

Although the report states that the Standardization Team received a proposal for a compact fluorescent lamp master purchase plan, the Standardization Team did not fully consider it. The stated rationale for excluding this proposal was twofold. First, the proposal involved a specific product brand of a general measure already offered by the program. In spite of any advantages or disadvantages this brand may have over other options, the Team did not feel that it was within its purview to make recommendations with respect to brands. Second, the proposal was for a purchase plan, and the Team did not feel that the new measure solicitation process was the appropriate place for the consideration of such a plan. Since the Standardization Team did not offer its more detailed analysis, we have no basis for assessing the merits of the proposal. Therefore, we decline to order this as part of the 2006 program.

D. Future Standardization Team Activities

The Standardization Team submitted an additional report on November 1, 2005, covering activities it refers to as Phase 5.1, proposing revisions to the Low Income Energy Efficiency Statewide Policies and Procedures Manual and Weatherization Installation Standards Manuals. The recommendations cover three kinds of changes: those designed to refine current policies, procedures, and standards; the introduction of new policies and standards relating to additional energy efficiency measures recommended for inclusion into the 2006 Low Income Energy Efficiency Program; and modifications needed to accommodate recent changes in California's Title 24 building standards. This document represents a major effort. Before acting on it, we seek the thorough review and advice of the Low Income Oversight Board. In addition, we direct the ALJ to issue a ruling setting dates for public comment on the report. We also delegate to the Assigned Commissioner that authority to approve or disapprove through a ruling the adoption of any reports currently pending or otherwise pending during the 2006-2007 funding cycle. The Assigned Commissioner may choose to refer some or all issues to the full Commission for its consideration. In the interim, standards related to new measures and Title 24 compliance shall be effective because the utilities need some basis for complying with these requirements while final approval of the rules is pending.

On October 11, 2005, the Standardization Team filed a request for augmentation of the Standardization Team's technical support budget in order to undertake additional activities it refers to as Phase 5.2. This would address issues related to dryer vent penetrations, procedures related to combustion ventilation air, vent termination requirements, and duct testing forms.

We appreciate the lengthy and invaluable efforts of the Standardization Team. We want to ensure that future Standardization Team activities, if any, are carefully coordinated with the programs and funding levels approved by the Commission in response to program cycle applications. Rather than continue to pass judgment on incremental work plan and budget requests, we direct the utilities to include in their next applications proposals for additional technical work, if needed. In addition, the Low Income Oversight Board and other interested parties may propose additional work at that time. We are particularly interested in determining the best procedure for ensuring that new measures are added to the Low Income Energy Efficiency Program when appropriate.

IV. Assignment of Proceeding

Dian Grueneich is the Assigned Commissioner and Steven Weissman is the assigned ALJ in this proceeding.

V. Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Section 311(g)(1) of the Public Utilities Code and Rule 77.7 of the Rules of Practice and Procedure. Comments were filed on December 5, 2005, and reply comments were filed on December 12, 2005.

VI. Conclusion

Because of changes adopted by the Commission in D.05-10-044, the utility CARE and Low Income Energy Efficiency Programs are different from those envisioned in the 2006-2007 funding and program applications that we review here. However, it is important for the utilities to have assurances, prior to the beginning of the new year, that funding authority is in place. We approve the utilities' overall funding proposals for the CARE and Low Income Energy Efficiency Programs as reasonable because they are consistent with the funding levels adopted by the Commission for 2005 in D.05-04-052.

At the same time, we recognize that the utilities must rethink program details and funding needs in light of the new direction offered by the Commission. We direct the utilities to file new applications no later than July 1, 2006 proposing programs and funding levels for 2007 and 2008. These applications shall reflect the results of the Needs Assessment, if it is available in a timely manner, and reflect an effort to change from budget-directed planning to goal-driven planning and budgets.

We also approve new measures for the 2006 Low Income Energy Efficiency Program.

Findings of Fact

1. The funding levels requested by each of the utilities are reasonable because they are consistent with those approved by the Commission in D.05-04-052.

2. To support the accelerated effort to replace inefficient refrigerators as approved in D.05-10-044, it is reasonable to approve SDG&E's request to restore $1.091 million in funds that had been disallowed in D.05-04-052.

3. Cool Centers provide an important measure of comfort to LIEE and CARE customers who live in hot climates around the state.

4. The IOUs receive reimbursement on a dollar-for-dollar basis of all CARE bill subsidies, so the primary issue before us with regard to the CARE applications is the level of administrative costs each IOU seeks.

5. The utilities could not have anticipated the program changes adopted in D.05-10-044 when they filed the applications underlying this decision.

6. These recent events prompt another look at overall programs and funding, including reconsideration of the current approach to planning Low Income Energy Efficiency Programs.

7. The utilities' proposed funding levels are reasonable because they are consistent with the funding approved in D.05-04-052.

8. Cool Centers help protect the health and safety of elderly, disabled, and low income customers. Cool Centers can serve an important energy efficiency function by encouraging some customers to come to one central, cool location rather than running individual air conditioners on the hottest days. In addition, these centers offer an opportunity to educate customers about their options for reducing energy consumption, including participation in the Low Income Energy Efficiency Program.

9. The Commission's goal in D.05-04-052 was to reduce the cost of running these Cool Centers, not to shut them down.

10. For purposes such as counting energy savings towards the Commission-established energy savings goals for 2006 and beyond, the Commission recognized in D.05-04-051 that we will need to more closely coordinate the load impact studies performed for Low Income Energy Efficiency with those studies and associated protocols being developed in our generic energy efficiency rulemaking, R.01-08-028.

11. In the current context, with the utilities utilizing census blocks, telephone registration, and other techniques pursuant to D.05-10-044 to accelerate and retain CARE enrollment, and with SB 580 implementation coming soon, it is appropriate, if not essential to give all of the utilities this type of CARE administrative spending flexibility.

12. Allowing SDG&E its requested additional funds for refrigerator replacement is consistent with the goals and program changes adopted in D.05-10-044.

13. This is not a good time to reduce SDG&E's natural gas Low Income Energy Efficiency funding.

14. It is reasonable to allow the electric utilities to offer the replacement of existing central air conditioners with high efficiency units for all three residence types in Climate Zones 14 and 15 since doing so will consistently provide benefits for the program participants and contribute to a reduction in electric demand.

15. It is reasonable for the utilities to offer duct testing and sealing for single family homes and mobile homes with gas space heating in all climate zones and for homes with electric space heating in Climate Zones 10-16.

16. Duct testing and sealing appears to be more cost-effective for multi-family dwellings in SDG&E's Zone 15 than it is for single family gas homes in many other areas of the state.

Conclusions of Law

1. This proceeding does not require hearings.

2. The ratemaking treatment of each utility's Low Income Energy Efficiency and CARE funding should not change from the *status quo*.

3. The utilities should recover in rates a level of Low Income Energy Efficiency and CARE program funding commensurate with the funding we authorize in this decision.

4. We want each utility to establish, and work to achieve, penetration goals (with the assistance of the Needs Assessment results and each utility's direct program experience).

5. We want to bring the utility low income program cycle into sync with that of the more general energy efficiency programs, which are in the midst of a three-year program cycle, scheduled to terminate at the end of 2008.

6. SCE, SDG&E and ORA should work with community and consumer groups, major corporations, government centers and others to develop a low cost plan for reviving the Cool Centers for service in the summer of 2006 and submit it to this Commission for approval, if necessary.

7. We should permit the utilities to rely on the 2001 load impact report as the most recent analysis available.

8. We should grant CARE administrative fund shifting capability for all of the applicant utilities.

9. We should not approve SDG&E's proposal to shift gas low income energy efficiency funds to electric programs, and should direct the company to reapportion the funds, accordingly.

10. We should direct SDG&E to provide duct testing and sealing for multi-family dwellings in Zone 15 within its service territory.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas), collectively referred to as the utilities, shall immediately offer qualifying low income customers all Low Income Energy Efficiency measures set forth in their respective 2006-2007 applications and the proposed new measures for 2006 (as approved in this order), until further Commission order.

2. The utilities are authorized to recover in rates the amounts shown below in Tables 1 and 2 for Low Income Energy Efficiency and California Alternate Rates for Energy (CARE) activities.

TABLE 1
2006 AUTHORIZED CARE BUDGETS

	PG&E	SCE	SoCalGas	SDG&E
Outreach	$4,837,000	$1,633,000	$1,949,750	$1,187,014
Automatic Enrollment	150,000	60,000	30,000	21,200
Cool Centers		95,000		
Proc., Certification & Verification	1,600,000	600,000	925,334	227,269
Bill System / Programming	150,000	557,000	265,045	72,800
Measurement & Evaluation	150,000	58,000	393,560	235,700
Regulatory Compliance	170,000	50,000	163,306	123,872
General Administration	300,000	1,063,000	297,315	177,314
CPUC Energy Division	100,000	82,000	83,000	50,000
Total CARE Expenses	$7,457,000	$4,199,000	$4,108,310	$2,346,519
Subsidies & Benefits	$324,612,000	$168,100,000	75,315,876	32,907,285

Total Program Costs and Discounts	**$332,069,000**	**$172,299,000**	**$79,424,186**	**$35,253,854**

TABLE 2
2006 AUTHORIZED LOW-INCOME ENERGY EFFICIENCY PROGRAM BUDGETS

	PG&E	SCE	SoCalGas	SDG&E
ENERGY EFFICIENCY				
Gas Appliances	$2,386,000	$0	$8,020,500	$1,353,043
Electric Appliances	19,593,000	20,971,520	0	5,853,536
Weatherization	15,283,000	394,450	15,949,814	3,135,038
Outreach / Assessment / Marketing	3,129,000	2,817,745	4,600,000	
In-Home Energy Education	3,129,000	518,400	600,000	1,212,466
Education Workshops	$0		420,000	132,000
Energy Efficiency Total	$43,520,000	$24,702,115	$29,590,314	$11,686,083
LANDLORD CO PAYS				
Air Conditioner Replacement – Central				
Air Conditioner Replacement – Room	$10,000			
Refrigerator (CoPay)	100,000			
Landlord Co Pays Total	$110,000	$0	$0	
OTHER PROGRAM ACTIVITIES				
Training Center	$400,000	20,000	325,000	
Inspections	$3,500,000	555, 000	1,132,919	161,832
Advertising		15,000	281,000	404,914
Measurement & Evaluation (M&E)	540,000	195,000	60,000	62,250
Regulatory Compliance	521,000	70,000	230,000	281,043
Other Administration	7,904,000	$1,772,885	1,669,642	750,972
Other Program Activities Total		$2,627,885	$3,698,561	$1,661,011
Oversight Costs – CPUC Energy Division	$35,000	$70,000	$36,000	21,000
TOTAL AUTHORIZED LIEE BUDGET	**$56,530,000**	**$27,400,000**	**$33,324,875**	**$13,368,093**

3. The utilities shall manage their authorized budgets for 2006 in a manner that accelerates Low Income Energy Efficiency participation and CARE enrollment in Winter 2005-2006, as directed in Decision (D.) 05-10-044 and results in at least 5-10% more homes being treated than originally anticipated when the original applications were filed. If any utility believes it will have to discontinue or reduce its Low Income Energy Efficiency Program during 2006 due to budgetary or other constraints, it shall immediately notify the Energy Division and the assigned Administrative Law Judge (ALJ) in writing and file a budget

augmentation application at least 90 days before the funds are needed. In addition, it may file for a budget augmentation as part of its July 2006 applications for 2007-2008 programs.

4. The ratemaking treatment of each utility's Low Income Energy Efficiency and CARE funding shall not change from that authorized in D.05-04-052.

5. The utilities shall file 2007-08 funding applications no later than July 1, 2006. The utilities shall list separately their budgets and program goals for each year and participate in workshops to develop other application and reporting requirements. The utilities shall schedule and conduct workshops within 60 days of filing their applications, and invite the members of the Low Income Oversight Board, ORA, the Energy Division, and the public to attend the workshops. The parties, ORA, the Energy Division and a majority of the Board members may opt to proceed without the workshop(s), but all must agree.

6. The Assigned Commissioner may, for good cause, modify the due dates set forth in this decision.

7. All CARE and Low Income Energy Efficiency funding authorized today, including those funds collected through the public purpose surcharge, is the property of the Commission and not of the utilities. With respect to such funds, the utilities shall serve as collection and remittance agents only and have no beneficial interest whatsoever in the monies. The utilities shall segregate all CARE and Low Income Energy Efficiency funding authorized today from all other utility funds and not use that funding for any purposes other than as provided for in this decision. All CARE and Low Income Energy Efficiency funding authorized in this decision, including funds collected through the public purpose surcharge, are ratepayer funds collected solely for the purpose of deploying the approved CARE and Low Income Energy Efficiency Programs for

the benefit of low income customers. The utilities shall remit funds to the persons or entities with whom they enter into contracts or memoranda of understanding, for the performance of the activities authorized by the Commission for the CARE and Low Income Energy Efficiency Programs, within 30 days of the receipt of invoices for the satisfactory completion of those activities.

8. The Standardization Team shall not undertake any new activities unless and until it is authorized to do so as a result of the July 2006 applications, or as otherwise directed by the Assigned Commissioner.

9. We will not formally adopt or approve the results of the 2001 load impact report as the utilities request in this proceeding. Instead, we permit the utilities to rely on the study results on a case-by-case basis, as we do today, until we can address and resolve Low Income Energy Efficiency-related issues in the 2006 Annual Earnings Assessment Proceeding.

10. The utilities may shift funds, as needed, among the CARE administrative activities and Low Income Energy Efficiency Program categories. In the next set of applications, the utilities shall identify and explain any funding shifts that they have made up to that point.

11. To the extent there are remaining carryover funds, the utilities shall use them to increase program activity in 2006. We are expecting that this will result in no funds remaining at the end of 2006. However, if there are remaining funds, the utilities shall continue the existing practice of carrying them forward to the next program year.

12. Each of the utilities shall seek a 2006 budget augmentation, through an application to be filed no later than April 14, 2006.

13. SCE, SDG&E and ORA shall work with community groups and others to develop a low cost plan for reviving the Cool Centers for service in the summer of 2006.

14. SDG&E shall not shift Low Income Energy Efficiency funds from gas to electric programs as proposed in its application.

15. The utilities shall offer duct testing and sealing for single family and mobile homes with gas space heating in all climate zones and for homes with electric space heating in Zones 10-16.

16. SDG&E shall offer duct testing and sealing to qualified multi-family customers in Zone 15 within its service territory.

17. In conjunction with the installation of new furnaces, the utilities shall consistently inspect and seal the ducts, regardless of nature or location of the dwelling involved.

18. The electric utilities shall offer the replacement of inefficient central air conditioners for all three residence types in Zones 14 and 15.

19. The Standardization Team shall consult with the Low Income Oversight Board on all recommendations to be presented to the Commission.

20. The utilities shall utilize the standards and procedures proposed in the November 21, 2005 Standardization Team Report for the new measures approved in this order and for compliance with the Title 24 Building Standards on an interim basis, pending final approval.

21. Application (A.) 05-06-005, A.05-06-009, A.05-06-012 and A.05-06-013 are closed.

This order is effective today.

Dated ______________________________, at San Francisco, California.